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Weekly Contributions 20-50

ORE, CIA

16 May 1950

Of the developments reported this week, [ ] finds two of particular interest: that on Venezuela (p. 4) and that on Bolivia (p. 4).

#### CURRENT DEVELOPMENTS

**NORTHERN AREA:** The ouster of Haiti's president by a three-man military junta will have no basic effect upon that country's foreign policy (p. 2). In Guatemala, the curtailment of United Fruit operations will make expropriation an important issue in the current presidential campaign (p. 2).

**CENTRAL AREA:** In Brazil, anti-US feeling has increased since the announcement of the proposed loan to Argentina (p. 2). Brazil's major opposition party has named Air Lieutenant General Eduardo Gomes as its candidate for the coming presidential election (p. 3). In Venezuela, cabinet changes may be made (p. 3). Venezuela may sever relations with the USSR (p. 4).

**SOUTHERN AREA:** In Peru, political opposition to Odría is increasing (p. 4). Bolivia's government has declared a state of emergency (p. 4).

#### SPECIAL SUBJECTS

The Current Situation in Nicaragua. . . . . 8

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16 May 1950

1. HAITI: President Ousted

The ouster of President Estimé by a three-man military junta led by Colonel Magloire will have no basic effect on Haitian foreign policy. The principal effect of this development will be to register one more defeat for constitutional government in the Hemisphere. During Estimé's tenure of office since mid-1946, Colonel Magloire has in effect dominated Haitian politics, and his seizure of power, though ostensibly to cope with the popular disorders of the past week, was probably motivated by his fear that Estimé would attempt to assume dictatorial powers before the 1952 elections. (Substance in CIA Wkly, 12 May 50.)

2. GUATEMALA: United Fruit to Abandon Plantations

The United Fruit Company (UFCO) decision to abandon all Caribbean Coast plantation operations (Pacific Coast operations to be continued) will make expropriation an important issue in the current presidential campaign. This decision was prompted largely by severe storm damage, which destroyed over half the anticipated 1950 crop and about four-fifths of the bearing acreage, and the continued ravages of the "Panama" disease. Current contract difficulties with labor appear to have been of little significance in this development.

It is believed that the UFCO move will serve to clarify the attitudes of the various candidates and political factions toward US business. Immediate demands for expropriation of some or all UFCO properties may be expected from the extreme leftist supporters of Colonel Jacobo Arbenz, on the grounds that the UFCO retrenchment was an anti-labor device and designed to influence the election. Arbenz, who has claimed he wishes to encourage US investment, may be forced to clarify his intentions toward labor and toward the UFCO. In contrast, no immediate demands for expropriation may be expected from the moderate leftists, whose presidential candidate is Dr. Victor M. Giordani. In view of the desirability of maintaining the present level of employment and material assets which may be abandoned, along with the political necessity of following a nationalist policy, it is expected that the moderate leftists will recommend a compromise solution involving eventual rather than immediate expropriation or purchase. The present administration, composed of both moderate and leftist factions, will probably consider the possibility of expropriation but may be expected to take no action other than that of making preliminary studies of the matter.

3. BRAZIL: Increased Anti-US Feeling Since Announcement of Proposed Loan to Argentina

The rather noticeable anti-US feeling among many Brazilians — some officials as well as the public — has increased to such an

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extent since the announcement of a proposed Export-Import Bank loan to Argentina that the normally close cooperation between Brazil and the US might be adversely affected. Apparently only one newspaper in Rio de Janeiro has come out with any statement that such a loan is just, and that it would better conditions in the entire Hemisphere. The more widely-read reliable papers in Rio have been criticizing the loan. The economic and financial gains that Brazil has attained through loans from the Export-Import Bank and other sources in the US are overshadowed by  

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  Argentina's stand during World War II in contrast to Brazil's all-out war effort, a widespread mistrust of the Perón government, and a general feeling among Brazilians that the US has let them down since the end of the war. For these reasons, then, it appears unlikely that the anti-US feeling will be assuaged during the immediate future.

4.

Eduardo Gomes Nominated for Presidency

The national convention of the União Democrática Nacional (UDN), the major opposition party, nominated (reported unanimously) Air Lieutenant General Eduardo Gomes as candidate for the 3 October presidential election. In what appears to be an effort to establish a bargaining position with other parties, the UDN has not as yet nominated a running mate for Gomes. The nomination of Gomes practically eliminates the possibility that Oswaldo Aranha will be a candidate as well as the possibility of an electoral collaboration of the government party (PSD) and the UDN against the "popular" forces of Vargas and Barros. The UDN's action is likely to force other parties to make their nominations during the next few weeks. Although it now appears likely that the campaign will become heated, it is estimated that there will be no coups, either from the right or left, and that relatively democratic elections will be held.

5. VENEZUELA: Possible Cabinet Changes

The opposition of some civilian members of the cabinet to the decree outlawing the Communist Party may result in cabinet changes in the near future. One of the ministers likely to be replaced is Augusto Mijares, Minister of Education, who is reported to have opposed the decree on grounds that the educational system would be impaired because of the difficulty of finding replacements for Communist teachers. Much of the pressure for outlawing the Communists apparently came from the military, and it is probable that the more liberal among the civilian cabinet members fear that the measure signifies a reversion to the harsh repressive practices which marked the early months of the regime, and portends a delay in the restoration of normal political activities.

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6.

Break With USSR Imminent

Insistent rumors from Caracas are to the effect that the Venezuelan government will break relations with the USSR, and a reliable source believes the break may occur this week. Anti-Communist officials are urging drastic action against all Communists, including the splinter "Black Communist Party" which was not affected by the decree of 13 May outlawing the regular Communist Party. Severance of relations with the USSR has reportedly been under consideration for some time, and only the occasion has been lacking.

  estimates that there is a strong probability that diplomatic relations between Venezuela and the USSR will be broken in the immediate future. The severance of relations would deprive the Soviet Union of an important channel for the direction of Communist activities in Latin America.

7. PERU: Opposition Presidential Candidate Nominated

Odría's chances for a virtually uncontested election have been further impaired by the fact that the two main opposition groups, Unión Revolucionaria (UR) and the Liga Democrática, have joined forces and have nominated retired General Montagne as their presidential candidate. It is true that the government has employed repressive measures against various opposition leaders and that the government-controlled National Electoral Board has rejected the UR request for registration as a political party. Nevertheless, the reported determination of the UR to make a new attempt to secure registration and its union with the Liga indicates that Odría will find it difficult to eliminate opposition. Further, the nomination of General Montagne, who enjoys considerable prestige among army officers, may cost Odría part of his army support. Thus, while Odría's control of the governmental machinery is still adequate, the scheduled election presents a real problem and he may find it necessary to make further adjustments in order to avoid an embarrassing outcome, or even real danger, to his regime.

8. BOLIVIA: State of Emergency Declared

The government has declared a state of emergency as a result of a strike by teachers and students, which began on the morning of 15 May. Government officials believe that the factory workers may join the strike. The situation is reportedly quiet but the army is ready to take control of all public services in the event of violence.

Although the stability of the government continues to deteriorate, it is believed that the strike -- an indication of the chronic discontent arising from the serious economic situation -- does not in itself constitute an immediate threat to the survival of the present government.

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16 May 1950

The Current Situation in Nicaragua

(Summary -- General Somoza, now president, appears to be in secure control of Nicaraguan political life. Communists, whose organizational activities among the labor unions have suffered setbacks, continue to be ineffective. The economic situation, temporarily improved by high coffee prices, continues to be one of uncertain stability. The military situation is unchanged, with the Guardia Nacional remaining loyal to Somoza and capable of maintaining internal order. In foreign affairs, Nicaragua continues to cooperate with, and to seek financial aid from, the US. Efforts have been made to improve further Nicaragua's relations with neighboring anti-leftist governments.

--Basic US security interests have not been threatened by recent developments in Nicaragua and no threat to these interests is foreseen.)

Political

General Somoza's political control assured his selection, by Congress, as interim president to serve the remaining year of the term of President Román y Reyes, who died on 6 May. However, Somoza's acceptance of the presidency under these conditions has undermined the recent Somoza-Chamorro agreement (☐ Wkly, 11 Apr 50). This agreement, which provided for presidential elections on 21 May 50, has now been rejected by the Chamorro Conservatives, who, in consequence, have lost their guarantee of minority representation in a new administration. Although no immediate threat to Somoza's control is evident, it is probable that Somoza will attempt to conciliate the Conservative opposition through some new formula. This may cause cancellation of the proposed presidential election. However, ☐ foresees no substantial change in the political situation in coming months, unless the state of Somoza's health should force him to relinquish the management of national affairs for an extended period.

Economic

Nicaragua's economic stability has been greatly favored by bumper coffee crop sales and improved coffee prospects for next year, when growers will receive the full benefits of the price rise. The current coffee harvest will bring in \$14,000,000, compared to \$4,361,967 in 1949 and a previous high of \$8,457,122 in 1948. This coffee prosperity may influence the government to relax the exchange controls established last year in accordance with the recommendations of the International Monetary Fund. These have been unpopular with coffee exporters, who

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have not been permitted free use of their dollar receipts. Prospects for relaxation of the controls will be favored by Somoza's current desire for Conservative support. If it becomes evident to the government that an International Bank loan is improbable, less attention may be paid to correcting unsound financial practices, thereby encouraging inflation.

Despite current prosperity, the country is still operating under budget deficits. The national deficit for the year 1949 amounted to 16,700,000 cordobas, making the total deficit for 1948 and 1949 about 31 million cordobas (\$6,200,000 at the official exchange rate). Despite Somoza's promises that he will initiate "sweeping reforms and corrections" in the field of finance and public credit,   believes that Nicaragua's economy will remain subject to inflationary pressures and momentary political considerations.

#### Subversive

Nicaragua's weak Communist Party, the PSN (Partido Socialista de Nicaragua), has suffered setbacks in its attempts to gain control over Nicaraguan labor. Unions and other labor groups have tended to affiliate with the newly-formed, Somoza-approved Federación Sindical Nacional (FSN) rather than with the PSN-sponsored Confederación General de Trabajo (CGT). Recently, members of the Managua Casa del Obrero, representing twenty labor syndicates and ten mutual aid societies, elected as officers the entire FSN slate of anti-Communist candidates in preference to the CGT slate. Although PSN-CGT agents continue to be active, there is no indication at present that they will gain much support within the labor movement, which is a conglomeration of small local craft unions whose political activities are judiciously restrained and are generally of small significance.

#### Military

There has been no significant change in the military situation. The Guardia Nacional appears to remain loyal to General Somoza and continues to be capable of maintaining internal order. The recent acquisition of surplus arms and ammunition, purchased in Canada, has possibly strengthened the Guardia somewhat, and the present "coffee prosperity" may have, indirectly, a beneficial effect on Guardia morale. Guardia officers have been active as Nicaraguan "good will" representatives abroad (see International).

#### International

There has been no recent change in Nicaragua's international relations. The government continues to manifest friendship for the US. It continues to be aligned with the pro-military, anti-leftist

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governments of Latin America. Opposition to the Arévalo government of Guatemala continues, and efforts have been made to bring about closer military and political relations with El Salvador and Honduras, which also fear Guatemalan interference. However, in contrast to his attitude toward Arévalo, General Somoza has stated that he would not be averse to a rapprochement with Colonel Arbenz, leading candidate for the presidency of Guatemala. In general, efforts are being continued to gain good will abroad. Guardia Nacional officers have been prominent in recent missions to El Salvador and Venezuela. Colonel Anastasio Somoza Jr. and two other officers have received decorations from the Peruvian government.

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